Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
BILLED PARTY PREFERENCE FOR 0+ INTERLATA CALLS	)	CC Docket No. 92-77
	)	

REPLY COMMENTS OF SPRINT CORPORATION

Leon M. Kestenbaum
Jay C. Keithley
H. Richard Juhnke
1850 M Street, N.W., 11th Floor
Washington, D.C. 20036
(202) 857-1030

Craig T. Smith
P.O. Box 11315
Kansas City, MO 64112
(913) 624-3065

August 27, 1992

TABLE OF CONTENTS

SUMMARY

The initial comments in this proceeding support Sprint's position that ubiquitous deployment of billed party preference is needed to promote the public interest and to encourage consumer-focused competition.

The TOCSIA legislation and the Commission rules thereunder have not eliminated the need for billed party preference. Operator services is currently the number one source of informal consumer complaints to the Commission, and the level of complaints is higher now than it was before the passage of TOCSIA. TOCSIA has not eliminated the high rates charged by many alternative operator service providers, either. Recent Commission data for a typical call show that the mean rate charged by operator service providers is nearly three times the rate charged by AT&T, and the maximum rate is nearly 15 times AT&T's rate. Furthermore, there remains a serious question whether the Commission will be able to monitor and enforce the unblocking requirements of TOCSIA and the Commission's rules effectively. In any event, access code dialing is not a substitute for the convenience to the public of using 0+ to reach their carrier of choice.

Many of the arguments against billed party preference, such as claims that it would not be available in non-equal access areas, that double operators would be a significant problem, and that regional OSPs could not participate effectively, were, for the most part, anticipated and addressed in Sprint's initial comments; other arguments against billed party preference are without merit. For example, it is claimed that billed party

preference would increase customer confusion because it would not be available for intrastate calls. It is entirely speculative to assume that that would be the case. On the contrary, the state commissions participating in this proceeding are receptive to billed party preference and one state -- Texas -- has adopted rules requiring billed party preference for intrastate calls as soon as it becomes available. Thus, there is reason for optimism that the states will embrace billed party preference for intrastate calling.

The record on the costs of implementing billed party preference is not as comprehensive as it might be. This is due, at least in part, to the lack of a final service design for billed party preference, which makes it difficult to obtain definitive estimates from vendors and to determine exactly what network modifications are needed to implement billed party preference. The Commission should direct the major industry participants to meet and arrive at a consensus on billed party preference service designs and then require the local exchange carriers to submit more definitive estimates of the costs that are solely attributable to billed party preference. Once these costs are better defined, the Commission must insure the LECs an adequate opportunity to recover these costs.

Notwithstanding the need for more detailed cost data, the information that has been provided shows that billed party preference should be relatively low on a unit basis, and indeed, significantly lower than the costs of premises owner commissions that are built into the existing system. Furthermore, the unit cost of billed party preference can be expected to decrease over

time, after the initial start-up costs have been amortized, and after consumers become more accustomed to the automated features associated with billed party preference. The cost data also support Sprint's position that it is more economic to implement billed party preference for all 0+ and 0- calls than limiting the service to calls from particular phones (e.g., payphones or all public phones), and that the expense of balloting customers to make a 0+ PIC would be inordinate.

The Commission, on this record, should not require OSP compensation to premises owners to replace the commissions they now receive. Much of the current commission payments reflect the market power of premises owners. Many premises owners install public phones for the convenience of their patrons, and many phones are installed in spaces that are unlikely to have alternative commercial use, and thus, there is no evidentiary basis on this record for a finding that such compensation would be necessary as a general rule to assure continued availability of public phones. While Sprint does not dispute the need for economic incentives to make payphones available in the public interest, there are better means of accomplishing that goal, such as up-front charges assessed directly on the user for the use of the phone. Furthermore, it is not clear whether the Commission has jurisdiction to establish a compensation program for premises owners, and any such program would place the Commission in the quagmire of determining how to set the amount of compensation.

Billed party preference should be implemented on a flash-cut, nationwide basis from all public, business and residential phones, but Sprint believes, in light of comments of other parties, that an exception can be made for inmate-only phones in correctional institutions because of the unique circumstances of that environment.

Billed party preference should apply to as great a range of billing options as possible. In that regard, the Commission should order the LECs to modify their LIDBs to permit 14-digit screening, so that OSPs, as well as LECs, can issue cards in this convenient, customer-friendly format. The evidence shows that such modification is feasible at a very modest cost, and none of the administrative problems other parties raised concerning multiple line-numbered cards are insurmountable. If possible, Sprint would also encourage the Commission to include commercial credit cards in the initial implementation of billed party preference.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
BILLED PARTY PREFERENCE FOR 0+ INTERLATA CALLS	)	CC Docket No. 92-77
	)	

REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation ("Sprint"), on behalf of Sprint Communications Co. and the United Telephone companies ("United"), hereby submits its reply to the initial comments of other parties in response to the Commission's May 8, 1992 Notice of Proposed Rulemaking, 7 FCC Rcd 3027. In these reply comments, Sprint will focus on four basic issues: (1) contentions that the enactment and implementation of TOCSIA supplants the need for billed party preference and that billed party preference does not benefit the public; (2) the costs of implementing billed party preference and the recovery of those costs; (3) the contention that premises owners should receive Commission-administered compensation from OSPs if billed party preference is implemented; and (4) the scope of implementation of billed party preference.

I. BILLED PARTY PREFERENCE IS NEEDED TO PROMOTE THE PUBLIC INTEREST AND TO ENCOURAGE CONSUMER-FOCUSED COMPETITION.

A. TOCSIA Has Not Supplanted The Need For Billed Party Preference.

Many of the opponents of billed party preference argue that the TOCSIA legislation and the Commission rules implementing it have eliminated the need for billed party preference. The basic

theme of these arguments is that the unblocking of access codes, the widespread advertising of those access codes, the posting of information on public phones disclosing the name of the presubscribed operator service provider, and the maturation of the alternative operator service industry, have obviated the need for billed party preference.[1] These arguments are difficult to square with reality.

To begin with, there is widespread and continuing customer dissatisfaction with the current operator service environment. This dissatisfaction is evidenced by the high volume of informal complaints submitted to the Commission. The unofficial tabulations of informal complaints compiled by the Commission staff show that operator services is the number one subject of consumer complaints to the Commission, notwithstanding TOCSIA and the implementing rules adopted by the Commission. The Bureau's data show that for the past six months, operator services complaints totalled 1345, far outdistancing such other notorious complaint topics as pay-per-call services and slamming. The Bureau's data also show that operator service complaints have increased, not diminished, with the passage of TOCSIA. Thus, the total of 1345 complaints submitted in the first six months of 1992 is 58% above the 851 complaints submitted in the six-month period (April-September 1990) preceding the enactment of TOCSIA.

---

[1] See, e.g., APCC at 17-19; BellSouth at 3-5; and CompTel at 3-6.

It also appears that TOCSIA has not had a moderating effect on rates charged by alternative operator service providers. The Commission's November 14, 1991 Interim Report to Congress, submitted pursuant to §226(h)(3)(B) of the Act, shows that many AOS providers are still charging rates that are clearly excessive by any reasonable measure. For example, in Chart 5 of the Interim Report, data as of September 23, 1991 show the industry mean price for an eight-minute 0+ calling card call from a payphone during the night/weekend period for a 1910 mile distance was $5.15, which is 2.8 times the $1.84 charged by AT&T, and the maximum rate was $27.00, or nearly 15 times AT&T's rate. Both the industry mean and industry maximum rates for such a call increased (by $.92 and $17.50, respectively) in the brief period from June 21 to September 23, 1991 (compare Charts 3 and 5 of the Interim Report).[2] With rates such as these, it is hardly surprising that operator services are the number one subject of complaints to the Commission.

Furthermore, it is doubtful whether the unblocking requirements of TOCSIA and the Commission's rules thereunder will be capable of effective enforcement. As Sprint discussed in its Initial Comments (at 3), the requirement to unblock 10XXX codes will not be fully effective for nearly five years, and given the

---

[2]While the Commission subsequently initiated investigations of the rates of certain AOS providers, those investigations were generally terminated after the AOS providers reduced their rates somewhat. However, these reduced rates remain well above the rates charged by full-service carriers. See Sprint's Comments, n. 1 at 2-3.

fact that this requirement applies to literally millions of telephones and tens of thousands of businesses that are otherwise unregulated by the Commission, there is a serious question whether the Commission will be able to monitor and enforce the unblocking requirements effectively. Sprint's concerns are borne out by the Commission's November 14 Interim Report, which summarized the results of informal compliance surveys undertaken by the Commission's staff in April and September 1991. These surveys showed that 950 access was blocked by one-sixth of the phones in September 1991 -- nine months after such blocking was outlawed by TOCSIA -- and that the blocking of 950 access had even increased somewhat since April. Furthermore, only 44% of the public phones displayed all the written disclosures required by TOCSIA and the Commission's rules. See Interim Report at 16. Yet, despite this evidence of widespread non-compliance, Sprint is unaware of the imposition of any forfeitures or other enforcement action against public phone aggregators. Thus, it is not unreasonable to infer that there may be widespread defiance of the Commission's 10XXX unblocking rules as well.

In any event, even assuming full compliance with unblocking rules, 10XXX, 800 or 950 access is no substitute for the 0+ access made possible under billed party preference. The dialing of access codes for operator services calls creates the same customer inconvenience in the operator services market that existed prior to the advent of equal access for direct dialed calls: to use a carrier other than AT&T, customers had to dial a multi-digit access code. This is not only a substantial

inconvenience to customers, but is a decided competitive disadvantage to carriers other than AT&T.

Ironically, this disadvantage is eloquently demonstrated by one of the opponents of billed party preference: CompTel. CompTel reasons (at 12-13) that since AT&T is the presubscribed carrier for approximately 75% of homes and offices and is also the presubscribed carrier of 80% of public phone lines, then at least 60% (.75 times .80) of operator services users are already routed to their preferred IXC on a 0+ basis. Thus, CompTel concludes that billed party preference is already here for a majority of callers and that mandating billed party preference would only benefit a minority of the public.

What this analysis really demonstrates is the enormous disadvantage that the status quo places on AT&T's competitors, both in marketing their calling cards (consumers perceive AT&T's cards as more convenient because its competitors cannot practicably offer 0+ dialing at all) and their efforts to compete for the presubscription of public phones (since AT&T's more convenient cards and its large inherited base of calling card customers gives it a higher volume of commissionable traffic than other OSPs).[3] The irony of CompTel using this analysis to argue against the need for billed party preference is that CompTel also urges (at 9-11) that 0+ dialing should be taken away from AT&T's

---

[3]AT&T's advantage in public phone presubscription is evidenced by the fact that it is the presubscribed carrier for 19 of the 20 largest hotel chains. See, American Hotel and Motel Association ("AHMA"), at 12.

customers by forcing AT&T to use access codes for its calling card calls. In short, CompTel is arguing that billed party preference is unnecessary because most consumers (i.e., AT&T's customers) can already reach their preferred carrier by dialing 0+, but that the Commission should take away 0+ dialing from the AT&T customers who now can use it. CompTel cannot have it both ways. If 0+ dialing is to be taken away from AT&T's cardholders, CompTel can't point to the present scope of 0+ dialing as an argument against billed party preference.

In any case, to the extent the removal of 0+ dialing would "level" the playing field, it would do so to the detriment of the consumer. To require mandatory use of access codes for IXC cards, as CompTel (and others) propose, could eliminate the ease-of-use advantage that AT&T's card now has, but only at the expense of inconvenience and confusion to the millions of AT&T cardholders who have been able to dial 0+ to reach AT&T from the vast majority of phones. In addition, the continued blockage of 10XXX from many public phones, and the lack of availability of 10XXX dialing from all phones in non-equal access areas would subject customers of all carriers who utilize 10XXX access to the confusion of having to use a different means of access from phones where 10XXX is blocked and from phones where it is not blocked. Furthermore, when the CIC codes are expanded from three to four digits (which is expected to occur in 1995), the 10XXX codes will increase in length from five to seven digits (101XXXX), which would entail further customer education efforts, further customer confusion, and an even greater number of digits to dial before customers can reach their carrier of choice.

Without question, consumers prefer the simplist dialing method possible to reach their carrier of choice, and billed party preference gives them that method.

B. The Public Interest Arguments Against Billed Party Preference Are Not Persuasive.

Many of the arguments against billed party preference are based on misperceptions that double operators would be a significant problem, that billed party preference would not be available in non-equal access areas, and that regional OSPs could not participate in billed party preference. These issues were adequately addressed in Sprint's initial comments and those of other proponents of billed party preference (e.g., Ameritech and Southwestern Bell). However, Sprint would like to respond briefly to the claim that billed party preference would result in a cartelization of the operator services and calling card market segments by AT&T, MCI and Sprint. The apparent logic of this claim is that in order to participate in billed party preference, regional OSPs would have to designate an OSP with a national presence in order to handle traffic in areas that it does not serve, and that when customers realize this, they would prefer to directly deal with one of the three nationwide carriers instead.

This argument is long on supposition, but short on facts. Even if a regional carrier did designate a nationwide carrier as its back-up, there is no reason to assume its customers would abandon it for the nationwide carrier. If that were the case, resale carriers would long since have ceased to exist. However, the 1+ marketplace demonstrates that many customers, for whatever reason, prefer dealing with a smaller regional carrier rather

than a nationwide carrier such as Sprint, MCI or AT&T. There is no reason to believe the same would not continue to be true for operator services as well. Finally, the status quo endows AT&T with an entrenched position that no other carrier can compete with in the long run. Billed party preference would eliminate AT&T's existing structural advantages and truly level the playing field for calling cards and operator services.

APCC has raised (at 19-20) a customer confusion issue that was not addressed in Sprint's initial comments: because the Commission's jurisdiction extends only to interstate calls, billed party preference may not be available for intrastate interLATA or intraLATA calls, and thus customers would have to use different dialing patterns depending on the jurisdiction of the call. While this is a legitimate issue, Sprint believes there is a strong likelihood that state regulatory commissions would follow the Commission's lead and adopt billed party preference for intrastate calls. The state commissions have faced the same problems that this Commission has with respect to the high rates charged by many AOS providers, and many states have taken even more direct action on this problem, e.g., by requiring the AOS providers to charge rates that are at or not substantially above the rates of full service carriers. Nearly half the states directly regulate AOS and/or COCOT rates, either by placing ceilings on such rates (e.g. at, or a specified amount above, AT&T's rates) or by requiring cost justification for rates that exceed AT&T's.

Furthermore, the state commissions are as likely to embrace the pro-consumer, ease-of-use advantages of billed party

preference as the Commission did in its tentative findings in the NPRM. Indeed, all nine of the state regulatory commissions[4] that filed comments in this proceeding endorsed the concept of billed party preference, as did NARUC in a July 1992 resolution.[5] Moreover, Texas has already ruled that billed party preference (or "End User Choice") is required when and where it is available.[6] Thus, there are indications that the states will be receptive to billed party preference for intrastate calling.

In any event, as explained in Sprint's initial comments, Sprint believes that it will take at least a year after the Commission orders billed party preference to define the technical standards for billed party preference, and only after this process is completed will the major investments needed for implementation of billed party preference actually be known with more certainty and subsequently undertaken. The Commission should encourage the states to use this one-year period to decide whether to require billed party preference for intrastate calls. If, at the end of the period, it appears that many states have decided not to do so, the Commission could consider what actions might be appropriate at that time.[7] In any case, the spectre

---

[4] I.e., the commissions of Florida, Illinois, Indiana, Michigan, Missouri, Ohio, Pennsylvania, Texas and Wisconsin.

[5] See NARUC's August 3, 1992 letter to the Commission's Secretary in this docket.

[6] See PUC of Texas at 10 and 16 TAC 23.55(g)(3).

[7] The Commission would have a wide range of options available to it, from considering whether circumstances warrant federal

(Footnote Continued)

that customers will be confused because of the absence of billed party preference dialing procedures for intrastate calls is simply too speculative to be a factor in the Commission's decision at this juncture. Because of the expense involved in billed party preference, it is unreasonable to expect that any state commission would have already ordered implementation of it in advance of an FCC decision on this issue. However, Commission action in this docket will undoubtedly spur the state commissions to more specifically consider billed party preference on an intrastate basis, and from what we have seen thus far, the Commission has reason to be optimistic that at least a large number of states would willingly embrace billed party preference. And the remaining states may decide to implement it simply because they may be assigned with a portion of implementation costs in any case as a result of separations, and because of the possibility of federal preemption if they do not.

Some of the comments raise questions as to whether some of the optional features (such as conference calling and messaging) and new technologies (such as voice-recognition cards) will be workable with billed party preference. The value-added services that Sprint currently offers on its calling card should be fully compatible with billed party preference, except in the case of intraLATA calls if those calls are handled by the local exchange

---

(Footnote Continued)
preemption of conflicting state regulation, to taking no action at all (i.e., allowing intrastate implementation of BPP to occur on a patchwork basis), or reconsidering whether BPP should be implemented on an interstate basis if there is widespread hostility to doing so on an intrastate basis.

carrier. Nonetheless, it is quite possible that some features and services would never be compatible with billed party preference, and would always require the continued use of access code dialing. For example, that appears to be the case for voice-recognition cards, which are currently in a developmental stage, and it may be true for other services as well. However, access code dialing remains an option for highly specialized services that are incompatible with billed party preference, and there is no reason why such incompatibility should stand in the way of implementing a simpler, more convenient, and pro-competitive method of access for the vast majority of operator services calls.

Several opponents of billed party preference claim that it is inconsistent with other Commission policies: (1) requiring the local exchange carrier to do the initial processing and routing for operator service calls would increase the LECs' "bottleneck" role at a time when the Commission is encouraging competition;[8] (2) prohibiting dialing around billed party preference through amendments to Part 68 would distort the purpose of Part 68, which, it is argued, is intended only to prevent technical harm to the network, would negate the technological advances in CPE that have resulted in "smart" payphones, would eliminate the enhanced services that can presently be offered through such phones, and would conflict with the Commission's resale policies by discouraging owners of such phones from becoming operator

---

[8] See, e.g., CompTel at 24.

service resellers;[9] (3) billed party preference would also deprive hotels and public payphone providers of the opportunity to enjoy the efficiencies obtainable through the use of LEC special access or competitively-provided access facilities, rather than switched access facilities, to connect their phones to their desired operator service provider;[10] and (4) billed party preference would conflict with the policies underlying TOCSIA, in which Congress relied on the existing system of access codes, rather than compulsory billed party preference, to address operator service problems.[11]

The short answer to all these contentions is that the current environment, taken as a whole, is producing market failure, as evidenced by the high rates charged by many AOS providers, widespread consumer dissatisfaction, and the AT&T advantages in calling cards and public phone presubscription that stifle true competition. It is precisely in such situations that the Commission should step in, determine the solution that best serves the public interest, and implement that solution. If the Commission does order billed party preference, the equipment manufacturers and entrepreneurs who have been so successful in building niches for themselves in the current environment will have an opportunity to develop service offerings, features and functions that will benefit the public in a more

---

[9] See, e.g., APCC at 4-8.

[10] See, e.g., AHMA at 8-9; APCC at 11.

[11] See, e.g., APCC at 13-15.

consumer-oriented environment, and recent history should lead the Commission to conclude that innovation in both services and equipment will continue.

Moreover, there is no inconsistency between billed party preference and TOCSIA. TOCSIA was intended to be a short-term fix for problems that Congress could not politically ignore. It would have been impossible for Congress to legislate billed party preference as a solution, both because Congress lacks the technical expertise to decide whether and how to implement billed party preference, and because the time necessary to implement billed party preference was simply too long for Congress to await. However, nothing in TOCSIA or the legislative history suggests any congressional hostility toward billed party preference. In fact, in Section 2 of TOCSIA, Congress found that:

> "(2) The growth of competition in the telecommunications market makes it essential to ensure that safeguards are in place to assure fairness for consumers and service providers alike;
>
> * * *
>
> (10) A combination of industry self-regulation and government regulation is required to ensure that competitive operator services are provided in a fair and reasonable manner."

Furthermore, in its report on the bill, the Senate Commerce Committee took note of a number of matters then pending before the Commission relating to operator services, including the Bell Atlantic petition that prompted the initiation of this proceeding, and stated: "The FCC needs to examine these issues so that it can set ground rules to ensure that fair and effective competition in this market is allowed to develop in a manner that will

benefit consumers."[12] That is precisely what billed party preference is intended to accomplish.

II. THE COST OF IMPLEMENTING BILLED PARTY PREFERENCE AND THE RECOVERY OF THOSE COSTS.

The comments demonstrate that further information is needed regarding the cost of billed party preference implementation. Some of the RBOCs[13] provided only bare-bones estimates of the costs, with little in the way of supporting information to show precisely what costs are involved and whether the costs are incremental to billed party preference or would have been incurred in any event.

Much of the uncertainty surrounding the cost of billed party preference implementation stems from the lack of a final service design for billed party preference. This absence makes it difficult to obtain definitive estimates from vendors. Moreover, it makes it difficult to determine exactly what needs to be done to implement billed party preference. For instance, it appears that the RBOCs, subsequent to numerous RBOC discussions on the technical and network requirements of billed party preference (PacTel at 19), presented their cost estimates based on a consensus billed party preference service design that apparently includes end office deployment of much of the billed party preference functionality. In contrast, United premised its cost

---

[12] Telephone Operator Consumer Services Improvement Act of 1990, S. Rep. No. 101-439, 101 S. Cong., 2d Sess. 2-3 (1990).

[13] See, e.g., Bell Atlantic at Attach. A; PacTel at 18-22; and Ameritech at 16.

estimates on deployment at its twenty operator tandems. If the FCC mandates a service design that requires deployment of billed party preference functionality at the end office level, United's existing cost estimates greatly understate implementation cost.

For example, PacTel estimated (at 21) it would cost approximately $50,000 per end office to equip each switch with OSS7 software. If instead of equipping its operator tandems, United must similarly equip each of its nearly 400 host central offices, it will incur in excess of $20 million in additional incremental implementation costs. In reality, many of United's 1,200 central offices, serving a small portion of its subscribers, are analog and unable to support OSS7 functionality. To accomplish OSS7 deployment as presumably contemplated by the RBOCs, United would first need to convert those existing analog switches to digital prior to achieving OSS7 functionality at an end office level.

In short, the ultimate service design or designs chosen will greatly impact the total cost of billed party preference for all LECs, and until such time as a service design (or designs) is settled on, any cost estimates are preliminary estimates at best. A possible way out of this dilemma would be for the Commission to ask the major industry participants -- both local and long distance -- to meet and arrive at a consensus on billed party preference service design or designs, give the parties a deadline for doing so. Following that, the local exchange carriers should seek vendor estimates and then submit more definitive cost estimates for the agreed-upon service design that allows implementation by that LEC in the most efficient manner. These steps,

if undertaken promptly by the Commission, need not unduly delay the actual implementation of billed party preference.

The Commission should also require the LECs to provide further information on the extent to which the claimed costs are incremental to billed party preference. Regardless of the cost recovery method, a topic discussed below, Sprint submits that consistent with the FCC's position on 800 data base implementation,[14] only those costs that are truly directly attributable to billed party preference, as opposed to infrastructure expenditures that would have been undertaken in any event, should be recovered as either a new service rate element or through exogenous cost treatment. Again, commentors take widely divergent views, varying from US West's insistence (at 19) that total unseparated billed party preference costs be recovered to the Missouri PSC's suggestion (at 2) that "much of the hardware and software costs associated with billed party preference are ... already in place."

The true answer undoubtedly is somewhere in between. As Sprint noted in its comments, there are sharply differing economics between urban and secondary markets that deserve consideration before deciding on the precise manner of billed party preference deployment, specifically as to what costs are incremental as opposed to infrastructure. Much of the characterization of what costs are infrastructure is a function of the

---

[14] See Provision of Access for 800 Service, 6 FCC Rcd 5421, 5428 (par. 37) (1991).

market under consideration. In this regard, the Missouri PSC's comment may be true to some extent in many urban areas. However, it is certainly not true as to many of the secondary markets served by the United companies and other independent LECs. Very little of the hardware and software required for billed party preference has been deployed by the United companies and, absent mandatory billed party preference implementation, would likely not be deployed in the billed party preference implementation timeframe.

An example is AABS deployment. A large urban metropolitan area may well support the deployment of AABS software even without billed party preference. This becomes clear when AABS deployment of the RBOCs is contrasted with United's. As many of the RBOCs' comments imply,[15] the RBOCs have already ubiquitously deployed AABS. On the other hand, United has only deployed it in three of its twenty operator tandems and has no current plans for further deployment. Accordingly, while Sprint insists that only the costs directly associated with billed party preference be recovered, it also insists that the FCC not determine what is the proper cost level based solely on the costs of the RBOCs, but rather based on a review of each LEC's individual situation.

Notwithstanding the need, discussed above, for further detail on the cost of implementing billed party preference, the cost information that has been provided thus far does not call into question the soundness of the Commission's tentative

---

[15] E.g., PacTel at 10.

determination that billed party preference is in the public interest. While the cost estimates of the local exchange carriers, taken at face value, appear large at first blush, most of the costs are one-time implementation costs that would be amortized over a period of time. Three of the RBOCs -- Ameritech, BellSouth, and NYNEX -- have translated their annual costs (including amortization of the start-up costs) into a unit cost per call. These unit cost estimates are quite modest, ranging from .11 cents per call (BellSouth) to .16 cents per call (Ameritech for all 0+ and 0- calls). These costs also compare quite favorably to the costs of commission payments under the current system of public phone presubscription. In its Second Report and Order in CC Docket No. 91-35,[16] the Commission estimated that the average per-call commission paid by AT&T was between .30 cents and .46 cents per call.[17]

Furthermore, the unit cost of billed party preference can be expected to decrease over time, for two reasons. First, once the initial start-up costs have been amortized (Ameritech, for example, bases its data on a five-year amortization), the unit

---

[16] 7 FCC Rcd 3251, 3257 (1992).

[17] Not all operator service calls are made from public phones, so these two sets of figures are not directly comparable. However, data from NYNEX show that approximately 70% of all operator service calls are made from public phones (n. 31 at 17), and adjusting the amount of commissions paid for this factor leaves commission payments well above the unit cost of billed party preference. For example, if the average commission rate is $.30 per public phone call, and if such calls account for 70% of all operator service calls, then the overall average cost of commissions is $.21 per call.

costs should fall sharply. Second, the other major category of recurring costs is the cost of "live" operators. As calling card calls become more user-friendly with 0+ dialing, and as consumers become more accustomed to the automated collect and billed-to-third-number calling which the deployment of AABS will permit, the number of "live" operators should also decrease over time.

The LEC cost submissions also support two other positions Sprint advanced in its initial comments: that billed party preference should be required for all 0+ and 0- calls, not just calls from payphones or public phones, and that a special 0+ balloting should not be required. The clear consensus in the initial comments is that the costs of implementing billed party preference are essentially fixed regardless of whether it is restricted to certain types of phones, and thus making billed party preference available for all 0+ and 0- operator service calls will reduce the burden on the public by spreading those costs over a larger volume of traffic. The cost data also show that the cost of balloting is substantial. NYNEX, for example, estimates that balloting all its customers would cost $18 million, while a bill insert notifying customers that they can select a 0+ PIC would cost less than $700,000.[18]

Another important issue is that of cost recovery. Sprint agrees with USTA (at 5) that it must be resolved prior to a billed party preference implementation mandate. In its comments, Sprint suggested that billed party preference costs be recovered

---

[18]NYNEX, Att. B, p. 1.